



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE
Quezon City

BUREAU OF INTERNAL REVENUE

RECORDS DIVISION

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REVENUE REGULATIONS NO. 8-96

SUBJECT: Revenue Regulations Implementing Republic Act No. 8184, An Act Restructuring the Excise Tax on Petroleum Products, Amending for this Purpose Pertinent Sections of the National Internal Revenue Code, As Amended

TO : All Internal Revenue Officers and Others Concerned

SECTION 1. Scope - Pursuant to the provisions of Section 245, in relation to Section 4 of the National Internal Revenue Code (NIRC), as amended, these Regulations are hereby promulgated to implement the provisions of Republic Act No. 8184 amending Sections 145 and 151(a)(2) and (4), Chapter V and VII, Title VI of the NIRC, as amended, respectively, restructuring the excise tax rates on petroleum products, reclassifying of natural gas and liquefied natural gas under non-metallic minerals and quarry resources, and reducing the excise tax rate on indigenous petroleum.

SEC. 2. Definition of Terms - For purposes of these Regulations and for a more effective enforcement and collection of excise taxes, the following words and phrases shall have the meaning indicated below:

- a) "Act" - Republic Act No. 8184
- b) Automatic Oil Price Mechanism - refers to the process adopted by the Energy Regulatory Board first after full public hearings and subsequently without need of such hearings, to automatically adjust the wholesale posted price of petroleum products based on Singapore Posting and other factors and costs resulting in the formula to be adopted by the Board.
- c) Combined cycle power plant - a power station or facility which utilizes both fuel and steam to produce electrical power through the sequential use of energy, wherein the heat recovered from the exhaust gases is utilized to generate additional electricity in a separate system.
- d) Fair international market price - the equivalent of the "benchmark crude" on the date nearest to the removal of the indigenous crude. The benchmark

crude as used in this definition shall mean the crude oil which approximates the quality and yield of the indigenous crude. It shall be used as a parameter to determine quality and yield difference vis-a-vis the indigenous crude

- e) Feedstock - a type of bunker fuel and product of similar properties including Heavy Vacuum Gas Oil (HVGO), Hydrocracking Unit Bottoms (HCUB) and Mobil Isomerization Dewaxing Unit Bottoms (MIDW) which are used as a raw material to produce petroleum products in a lubricating oil.
- f) Gasoline - a volatile mixture of liquid hydrocarbons, generally containing small amount of additives suitable for use as a fuel in spark ignition internal combustion engines.
- g) Leaded premium gasoline - a gasoline containing a maximum of 0.150gram per liter lead additive and a minimum octane number of 93 Research Octane Number (RON).
- h) Liquefied natural gas - a natural gas which has been liquefied by compression and/or cooling to an extremely low temperature.
- i) Natural gas - a mixture of naturally occurring hydrocarbon gases of the paraffin series, at varying proportions with methane predominating. It may exist in isolation or associated with crude oil.
- j) Petrochemical products - chemicals produced from the processing generally by cracking of various feedstocks derived from petroleum, with different feedstocks yielding different range of products. These products may include ethylene, propylene, butadiene, benzene, toluene, and mixed xylene.
- k) Petroleum - a naturally occurring mixture of compounds of hydrogen and carbon with a small proportion of impurities and shall include any mineral, petroleum gas, hydrogen gas, bitumen, asphalt, mineral wax, and all other similar or naturally-associated substances, with the exception of coal, peat, bituminous shale, and/or other stratified mineral fuel deposits.
- l) Petroleum products - products formed in the course of refining crude petroleum through distillation, cracking, solvent refining and chemical treatment coming out as refinery stocks from the refinery such as, but not limited to, LPG, Naphtha, gasolines, solvent, kerosene, aviation fuels, diesel oils, fuel oils, waxes and petrolatums, asphalts, bitumens, coke and refinery sludges, or such refinery petroleum fractions which have not undergone any process or treatment as to produce separate chemically-defined compounds in a pure or commercially pure state and to which various substances may have been added to make them suitable for particular uses; Provided, that the resultant product contains not less than fifty percent (50%) by weight of such petroleum products.

- m) Processed gas - it is the lightest by-product/component of refined crude oil and is generated from the various process units like crude distillers, hydro desulphurizers and platformers. It is composed of pressurized gases like hydrogen, methane, ethane, propane and butane , and is used for refinery fuel.
- n) Pyrolysis gasoline - a product of thermal cracking, high in aromatic content which may be used as a constituent of gasoline.
- o) Reprocessing - synonymous to "manufacturing" as contemplated under Section 187 (x) of the Tax Code of 1977. Manufacturing refers to the physical or chemical process which alters the exterior texture or form or inner substance of any raw material or manufactured or partially manufactured product in such manner as to prepare it for a special use or uses to which it could not have been put in its original condition, or any such process which alters the quality of any such raw material or manufactured or partially manufactured product so as to reduce it to marketable share or prepare it for any of the uses of industry, or by any such process which combines or blends any such raw material or manufactured or partially manufactured products with other materials or products of the same or of different kinds and in such manner that the finished product of such process or manufacture can be put to a special use or uses to which such raw material or manufactured or partially manufactured product, in their original condition could not have been put, and which in addition alters such raw material or manufactured or partially manufactured products, or combines the same to produce such finished products for the purpose of their sale or distribution to others and not for his own use or consumption.
- p) Unleaded premium gasoline - a gasoline containing a mixture of hydrocarbons, petrochemicals and/or additives, with a minimum octane number of 93 RON and a maximum lead content of 0.013gram per liter as prescribed by the national standards.
- q) Upgrading of petroleum products - reclassification of a petroleum product to a product subject to a higher rate of tax without undergoing any reprocessing or blending other than putting additives.
- r) User - importer or purchaser of kerosene who resells or uses the same as dual purpose kerosene (no matter how described) or as aviation fuel for aircraft or private planes in which only the specific tax on kerosene was previously paid by the said importer or purchaser.

SEC. 3. Rates and Bases of Tax. - The following petroleum and mineral products indicated below are subject to the excise tax in the amount as follows:

<u>Petroleum Products</u>	<u>Rate of Tax</u>
Lubricating oils and greases, including but not limited to basestock for lube oils and greases, high vacuum distillates, aromatic extracts and other similar preparations, and additives for lubricating oils and greases, whether such additives are petroleum based or not.	P 4.50 per liter
Processed gas	P 0.05 per liter
Waxes and Petrolatum	P 3.50 per kilogram
Denatured alcohol for motive power	P 0.05 per liter
Naphtha, regular gasoline and other similar products of distillation	P 4.80 per liter
Naphtha used as raw material in the production of petrochemical products or as replacement fuel for natural gas-fired combined cycle power plant, in lieu of locally-extracted natural gas during the non-availability thereof.	P 0.00 per liter
Leaded premium gasoline	P 5.35 per liter
Unleaded premium gasoline	P 4.35 per liter
Aviation turbo jet fuel	P 3.67 per liter
Kerosene	P 0.60 per liter
Kerosene used as aviation fuel	P 3.67 per liter
Diesel fuel oil, and on similar fuel oils having more or less the same generating power	P 1.63 per liter
Liquefied petroleum gas	P 0.00 per liter

Liquefied petroleum gas used for motive power

P 1.63 per liter

Asphalts

P 0.56 per kilogram

Bunker fuel oil, and on similar fuel oils having more or less the same generating power

P 0.30 per liter

Mineral Products

Rate of Tax

Locally extracted natural gas and liquefied natural gas 2% on actual market value of the gross output

Indigenous petroleum 3% of fair international market price

SEC. 4. Time and Manner of Payment of Excise Tax on Petroleum Products Non-Metallic Minerals and Indigenous Petroleum. -

I. Petroleum Products

Without prejudice to the provisions of Section 157, Chapter 8, Title 6 of the NIRC as amended, the excise tax shall be paid in the time and manner provided herein below:

a) On locally manufactured petroleum products

The specific tax on petroleum products locally manufactured or produced in the Philippines shall be paid by the manufacturer, producer, owner or person having possession of the same, and such tax shall be paid within fifteen (15) days from date of removal from the place of production.

b) On imported petroleum products

The specific tax on imported products shall be paid by the owner or importer before their release from customs custody, or by the person who are found in possession of petroleum products which are exempt from specific tax other than those legally entitled to exemption.

II. Non-metallic minerals and quarry resources

The ad valorem tax on non-metallic minerals and quarry resources shall be paid by the lessee, concessionaire, owner or operators of mines, possessors of minerals, licensees or permittees of quarry/mines, producers or manufacturers of mineral products, before removals from the locality where mined or removal from customs custody, in case of importations. However, if the person liable to pay the excise tax, filed an acceptable surety bond, he may pay the excise tax due thereon within twenty (20) days after the end of each calendar quarter.

III. Indigenous petroleum

The ad valorem on indigenous petroleum shall be paid by the buyer or purchaser of the first taxable sale, barter, exchange or similar transactions, within fifteen (15) days from the date of actual or constructive delivery to the said buyer or purchaser.

SEC. 5. Upgrading of kerosene. - The tax on upgraded kerosene shall be collected at the time of removal thereof from the place where the same is upgraded and such upgrading shall not give rise to any crediting of the excise taxes paid on the products originally classified under the lower tax rate.

Where the manufacturer directly sells upgraded kerosene to airline companies or aircraft owners, the excise tax for the upgraded kerosene shall be assessed directly from the manufacturer/producer. Otherwise, the excise tax on the upgraded petroleum product shall be assessed against the user.

The User of upgraded kerosene as aviation fuel shall pay the Avturbo jet fuel specific tax on the upgraded kerosene on the same day that the said upgraded kerosene (which was subjected only to the kerosene specific tax) was loaded on their aircraft or private plane or purchased for storage, whichever comes first. Failure to do so would subject the said user to the late payment surcharge, interest and penalties prescribed by NIRC, as amended.

At any time, the user may be required by the Commissioner or his duly authorized representatives to present documents evidencing purchases of jet fuel and payment of specific taxes.

Illustration No. 1.

A manufacturer or its marketing depot removed from the place of production on June 30, 1996 1,000 liters of kerosene and paid the tax of P0.60 per liter thereon. On July 21, 1996, the said kerosene was upgraded by the

manufacturer to aviation turbo jet fuel by merely mixing "anti-freeze or de-icing agent" with such kerosene. Said manufacturer is liable to pay excise tax of P 3,670.00 (1,000 liters of jet fuel x P 3.67/liter) before effecting the removal thereof from the place of upgrading on July 21, 1996 without the benefit of crediting the P600.00 excise tax originally paid on kerosene.

Illustration No. 2.

A trader imports or buys from a local oil company 1,000 liters of upgraded kerosene and pays the kerosene specific tax of P0.60 per liter. Subsequently, the trader sold the upgraded kerosene as avturbo jet fuel to an airline company or to another trader. The said trader is liable to pay excise tax of P3,670.00 before effecting the removal of the said product from his storage premises without the benefit of crediting the P600.00 specific tax originally paid on the kerosene.

Illustration No. 3.

An airline company purchased 1,000 liters of jet fuel from unregistered supplier. Since no proof of payment of specific tax on jet fuel could be presented by the supplier, the airline company is required to pay the specific tax on jet fuel on the date of purchase.

SEC. 6. Removals of Naphtha. - The excise tax rate on naphtha removed for the following purposes shall be zero percent (0%):

- a. For use as raw material in the production of petrochemical products; and
- b. For use as replacement fuel for natural gas-fired combined cycle power plant, in lieu of locally-extracted natural gas during the non-availability thereof.

In order to avail of the foregoing privilege, prior recommendation or indorsement should be secured by the manufacturer, producer, seller, or importer of such petroleum products from the Department of Energy in accordance with the rules promulgated by the Secretary of Energy in consultation with the Secretary of Finance. In case of failure to secure the prescribed indorsement prior to actual or constructive removals thereof, such transactions shall be subject to the excise tax rate as prescribed under Section 145 (5) of the Tax Code, as amended by the Act.

SEC. 7. Creditable Excise Tax. - The crediting of excise taxes paid on purchased feedstock (bunker), as defined in Section 2(e) hereof, used in the manufacture of exciseable articles and forming part thereof shall be limited to the proportion of the volume of such raw material used in production, in relation to the total volume of finished goods subject to tax. For purposes of these regulations, any excess of excise taxes paid on raw materials resulting from manufacturing, blending, processing, storage and handling losses shall not give rise to a tax refund or credit.

Illustration No. 1 - Volume of raw materials used is less than the volume of the finished goods produced and removed.

A manufacturer removed 1,000 kilograms of asphalts on June 30, 1996. Based on his production records, the manufacturer purchased and used 900 liters tax-paid bunker fuel to produce 1,000 kgs. of asphalts. The excise tax due from the manufacturer on his removal of 1,000 kgs. of asphalts is computed as follows:

Tax due on asphalts (1,000 kgs x P0.56/kg)	P 560.00
Less: Creditable excise taxes on tax-paid bunker fuel used as raw materials in the manufacture of asphalts (900 liters @ P0.30/liter)	270.00
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Balance of excise tax due	P 290.00
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Only the excise tax paid on the raw materials used in production of 900 liters shall be allowed to be credited on the finished goods produced and removed.

Illustration No. 2 - Volume of raw materials used is more than the volume of finished goods produced and removed.

A manufacturer removed 1,000 kilograms of asphalts from his place of production on June 30, 1996. Based on his production records, the manufacturer purchased and used 2,000 liters of bunker fuel to produce 1,000 kgs. of asphalts. The excise tax due from the manufacturer on his removal of 1,000 kgs. of asphalts is computed as follows:

Tax due on asphalts (1,000 kgs. @ P0.56/kg.)	P 560.00
Less: Creditable excise tax on tax-paid bunker fuel used as raw materials in the manufacture of asphalts (P 2,000 liters @ P0.30/liter)	600.00
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Difference	(P 40.00)
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The difference of P40.00 shall neither give rise to any claim for refund/credit against subsequent removals.

Illustration No. 3 - Partial use of purchased raw materials and treatment of the raw materials still in the inventory.

A manufacturer purchased 2,000 liters of tax-paid bunker fuel on June 30, 1996. On July 1 to 3, 1996, it manufactured 1,500 kilograms of asphalts using 1,500 kgs. bunker fuel as raw materials. On July 4, 1996, the company removed from its production plant the entire production of 1,500 kgs. of asphalts. The excise tax due on such removal shall be computed as follows:

Tax due on removals of asphalts (1,500 kgs. @ P0.56/kg.)	P 840.00
Less: Creditable excise taxes on tax-paid bunker fuel used as raw materials in the production of asphalts (1,500 liters @ P0.30/liter)	450.00
	<u>P 390.00</u>
Balance of excise tax due	

The excise tax paid on the 500 liters of bunker fuel oil but still in the inventory and did not form part of the finished goods removed from production plant shall not be credited against the excise tax due on the finished goods actually removed. This will be credited on the day when such raw materials shall have been produced into asphalts and removed from place of manufacture. The same principle also applies if all raw materials were manufactured into asphalts but only partial removals of finished goods have been effected.

Illustration No. 4 - Tax-exempt removals of finished goods using tax-paid raw materials.

A manufacturer purchased 1,000 liters of tax-paid bunker fuel on June 30, 1996. These tax-paid bunker fuel were all used and formed part of the 1,000 kgs. of manufactured asphalts. These asphalts were all removed on July 5, 1996, 500 kgs. of which were removed and delivered to a tax-exempt entity enjoying tax exemption. The excise tax due on the transactions shall be:

Taxable removals (500 kgs. @ P0.56/kg.)	P 280.00
Tax-exempt removals (500 kgs. @ EXEMPT)	-
	<u>P 280.00</u>
Total tax due thereon	
Less: Creditable excise tax paid on bunker fuel used as raw materials (500 liters @ P0.30/liter)	150.00
	<u>P 130.00</u>
Balance of excise tax due	

The excise tax paid on raw materials attributable to the production and removal of tax exempt finished goods shall not be considered as allowable tax credit but the same forms part of its production costs.

Illustration No. 5 - Removals of multiple finished products using tax-paid feedstocks.

a. Without beginning and ending inventories of feedstocks.

A lubricating oil refinery processes 1,000,000 liters of feedstock which was subjected to P300,000.00 specific tax (1,000,000 ltrs x P0.30 per liter) using the following standard conversion factors:

1 Liter of asphalt = P 1.04 per kilogram; therefore specific tax on asphalt of P 0.56 per kilogram = P0.5824 per liter

1 Liter of wax = P0.82 per kilogram; therefore specific tax on wax of P3.50 per kilogram = P2.87 per liter

The tax crediting process will be as follows:

	Sp Tax Per Liter	Volume in Liters	Specific Tax Due/Paid	Creditable Specific Tax	Net Tax Due
Input:					
Feedstock	P 0.30	1,000,000	P 300,000.00		
Output:					
Baseoil	P 4.50	184,600	P 830,700.00	P 55,380.00	P 775,320.00
Distillates	P 4.50	70,700	318,150.00	21,210.00	296,940.00
Extracts	P 4.50	900	4,050.00	270.00	3,780.00
Asphalt	P 0.5824	198,200	115,431.68	59,460.00	55,971.68
Wax	P 2.87	12,600	36,162.00	3,780.00	32,382.00
Fuel Oil		527,000			
Refinery loss		6,000			
Total		1,000,000	P1,304,493.68	P140,100.00	P1,164,303.68

The creditable excise tax on feedstocks used in production shall only be P140,100.00 and not P300,000.00. The difference of P159,900.00 representing excise tax on feedstocks used in producing non-exerciseable finished goods and refinery losses should be taken up as part of the cost of production.

b. With beginning and ending inventories of feedstocks.

Using the immediately preceding example but the refinery has beginning and ending inventories of feedstocks, the tax crediting process shall be as follows:

	Volume In Liters	Specific Tax Due/Paid	Creditable Specific Tax	Net Tax Due
Input: (Feedstock)				
Beg. inventory	200,000			
Purchases	1,000,000			
Total	1,200,000	P 300,000.00		
Output:				
Baseoil	184,600	P 830,700.00	P 44,304.00	P 786,396.00
Distillates	70,700	318,150.00	16,968.00	301,182.00
Extracts	900	4,050.00	216.00	3,834.00
Asphalt	198,200	115,431.68	47,568.00	67,863.68
Wax	12,600	36,162.00	3,024.00	33,138.00
Fuel Oil	527,000			
Refinery loss	6,000			
Total	1,000,000	P1,304,493.68	P 112,080.00	P1,192,413.68
Ending Feedstock Inventory	200,000	P 60,000.00		

It will be noted in the above example that the beginning inventory of feedstock which was subjected to the "0" specific tax, prior to the effectivity of the Act, had to be exhausted first on a "first-in, first-out" basis before the specific tax paid on the purchases can be credited against the exciseable products produced therefrom. The excise tax paid on the ending feedstock inventory shall be creditable from succeeding production volumes.

The creditable excise tax on feedstocks used in production shall only be P112,080.00. The difference of P127,920.00 representing excise tax on feedstocks used in producing non-exciseable finished goods and refinery losses should be taken up as part of the cost of production.

SEC. 8. Tax Treatment of Lubricating Oils and Greases Produced from Tax-Paid Basestocks and Additives. - Removals of lubricating oils and greases produced from tax-paid basestocks and additives shall not be subject to excise taxes except in the following:

- (a) Where excise taxes on one or more of the raw material components (basestocks, additives whether petroleum based or not) has not been paid ; and
- (b) Where the total volume of finished goods produced per product is more than the total volume of excise tax-paid on raw materials used.

Illustration No. 1 - Volume of finished goods produced and removed is equal to the volume of tax-paid raw materials used.

A manufacturer of lubricating oils produced 1,000 liters of lube oil using 900 liters of basestocks and 100 liters additives as raw materials, both of which were already subjected to excise tax. Once these finished goods are removed, the manufacturer is no longer liable to pay the specific tax on lubricating oil.

Illustration No. 2 - Taxability of finished goods produced if the tax on one or more raw material component is unpaid.

Using the above example but only the excise tax on basestocks was paid, the manufacturer is still liable to pay excise tax on that portion of lube oil attributable to additives which were not subjected to excise tax. Hence, the tax still due will be computed as follows:

Tax on lube oil (1,000 liters x P4.50/liter)	P 4,500.00
Less: Excise tax attributable to tax-paid basestocks (900/1000 x P4.50)	4,050.00
Excise tax still due attributable to untaxed additives	<u><u>P 450.00</u></u>

Illustration No. 3 - Volume of finished goods produced and removed is less than the volume of raw materials used.

A manufacturer produced 1,000 liters of lube oil using 900 liters of tax-paid basestocks and 200 liters of tax-paid additives. When he removes the 1,000 liters of lube oil from his place of production, he is no longer subject to the specific tax on lubricating oil. The tax paid on the difference between the raw materials used in production (1,100 liters) and the total volume of removals of finished goods (1,000 liters) will not give rise to any claim for tax refund/credit or the same be allowed to be credited against excess tax due on subsequent removals.

Illustration No. 4 - Volume of finished goods produced and removed is more than the volume of raw materials used.

A manufacturer produced 1,000 liters of lube oil using tax-paid basestocks of 700 liters and 200 liters of additives. Before he removes the 1,000 liters of

manufactured lubricating oil from his production plant, he is required to pay excise tax of P 450.00, computed as follows:

Excise tax due on lubricating oil (1,000 liters x P4.50)	P 4,500.00
Less: Excise tax paid on raw materials used (900 liters x P 4.50)	4,050.00
Balance still due	<u><u>P 450.00</u></u>

Although the basestocks and additives used are all tax-paid, the manufacturer is still liable to pay the balance of P 450.00 due to increase in volume of manufactured finished products.

SEC. 9. Accounting for Excise Taxes Paid on Feedstocks (Bunker Fuel).
Basestocks and Additives Used as Raw Materials in the Production of Exciseable Articles.
 Manufacturers or producers of exciseable articles using tax-paid feedstocks (bunker fuel) as raw materials and lubricating oils and greases using excise tax-paid basestocks and additives (whether petroleum based or not) as raw materials in the production of such lubricating oils and greases shall maintain a separate account in his books of accounts for excise taxes paid on such raw materials and this tax shall be treated as an asset account in the balance sheet. Debits to this account shall be made for each and every purchase of tax-paid feedstocks (bunker fuel), basestocks, additives, as the case may be, while credits shall be made for each and every application against excise taxes due on removals, processing losses, storage gains and losses, excess tax-paid on raw material consumption over removals of finished goods and such other adjustments necessary to update the current and correct balance of the said account.

Illustration:

A manufacturer purchased 1,000 liters of feedstocks (bunker) at a cost P4.00 per liter for which the supplier already paid the excise taxes due thereon of P0.30 per liter. These raw materials were used to produce or manufacture 1,000 kgs. of asphalts. These manufactured asphalts were sold to taxable and tax-exempt entities for 700 kgs. and 300 kgs., respectively, at P7.00 per kg.

The entries in the books of the manufacturer to record the above transactions should be as follows:

1. Upon purchase of feedstocks

Purchases	4,000
Creditable Excise Tax	300
Accounts Payable	4,300

2. Upon removal and sale of asphalts

Accounts Receivable	7,392	
Cost of Sales	90	
Sales		7,392
Creditable Excise Tax		90
Cost of Sales	392	
Excise Tax Payable		392
Excise Tax Payable	210	
Creditable Excise Tax		210

3. Upon payment of excise tax due after fifteen (15) days

Excise Tax Payable	182	
Cash		182

The Excise Tax Payable of P392 corresponds to the excise tax due on taxable removals of 700 kgs. while the Cost of Sales of P 90.00 represents the excise tax component of raw materials used in producing the 300 kgs. asphalts sold to tax-exempt entity. The creditable excise tax of P300 representing the total excise tax paid on raw materials of 1,000 liters feedstocks was zeroed out since these were all used in the production of finished goods which were all removed from the place of production.

SEC. 10. Transitory Provisions. For the effective implementation of the Act, the following guidelines shall be followed during the transitory period:

a) Applicable excise tax rates on removal of refined and manufactured petroleum products produced from crude oil and/or indigenous petroleum subjected to old tax, duty and tariff rates.

- a.1 Refined and manufactured products from crude oil and/or indigenous petroleum which the 10 percent (10%) ad valorem basic duty, ninety-five centavos (P.0.95) special levy and/or the fifteen percent (15%) excise tax have been paid before the effectivity of the Act but which shall be removed from the place of production or released from customs custody, as the case may be, on or after the effectivity of the Act, shall not be subject to the excise tax prescribed under Section 3 of these regulations but to the old rates of excise taxes under Section 145 of the NIRC, as amended, prior to the Act.

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- a.2 Inventory of stocks purchased after the effectivity of Republic Act No. 8180 which were subjected to the reduced tariff duty rate of 3%, special levy of P0.95 and 15% excise tax on indigenous petroleum shall also be subject to the excise tax rates prior to the effectivity of the Act. However, the 7% tariff reduction shall continue to be credited to the Oil Price Stabilization Fund (OPSF) in accordance with the Energy Regulatory Board (ERB) resolutions in its bi-monthly price review.
- a.3 Refined and manufactured products imported prior to the effectivity of the Act which shall be removed from the place of production or released from customs custody, as the case may be, on or after the effectivity of the Act, and which were already subjected to the payment of either the 20% ad valorem basic duty before the effectivity of RA 8180 plus P1.00 special levy or 7% ad valorem basic duty on or after the effectivity of RA 8180 plus the P 1.00 special levy, shall be also subject to the old excise tax rates under Section 145 of the NIRC as amended, prior to the Act.
- b) Treatment of net gains or losses on tax paid petroleum products - Net gains or losses on petroleum products which are already removed from the refinery or released from customs custody and subjected to the old excise tax rates prior to the effectivity of the Act but will be sold on or after the effectivity of these regulations shall likewise be credited to the OPSF until such stocks are fully exhausted.

For purposes of these Regulations, net gains/losses on sale of petroleum products shall mean the difference between the selling price of the aforementioned petroleum products before and after the effectivity of the Act.

- c) Conduct of general stocktaking or physical count. Following the guidelines and procedures prescribed under Revenue Memorandum Order No.16-84, the BIR shall conduct a general or total physical inventory by actual weight, count, volume, and/or measurement of the entire stock of raw materials (including in-process or intermediate materials, articles or products) and finished products then existing and actually on hand as at the midnight of the day immediately before the simultaneous initial implementation of the Automatic Oil Pricing Mechanism under RA 8180 and the restructured excise taxes under RA 8184, in the presence of the representative of the concerned oil company who shall jointly attest to the fact of witnessing and verifying the results thereof by affixing their signatures on an attestation clause in the inventory certificate.

Any overage or shortage found upon reconciliation of the results of the stocktaking with the stock balances in the Official Register Book (ORB) as of the date and time of the stocktaking should be debited or credited, as the case may be, in the proper official register book and signed by the internal revenue officers with the corresponding report and recommendation to the Commissioner of Internal Revenue.

- d) Submission of Production Schedule and Estimated Inventory Turnover. The oil company concerned shall submit a sworn declaration to the Commissioner of Internal Revenue not later than the 5th day after the conduct of the actual physical count stating, among others, the following:
- (1) The estimated number of days required to convert goods in process and raw materials on hand as of the cut-off date to finished goods.
 - (2) The expected or deemed yield of goods in process and raw materials in terms of finished products, i.e. premium gasoline, diesel LPG, fuel oil , etc.
- e) Monitoring of movements/transfers of raw materials and/or semi-process articles. All transfers of raw materials and/or goods in process covered by the old provisions of the law under the transitory period shall be accounted for and recorded in the Official Register Book (ORB) separately by the concerned oil company. A monthly report of inventory utilization and production shall be submitted to the Commissioner of Internal Revenue on or before the 10th day of the month immediately following the operations until such time that said inventories are fully exhausted.
- f) Accounting for stocks or inventory of goods on after the effectivity of the Act. For purposes of these Regulations, all stocks on hand as of the effectivity of the Act shall be liquidated and accounted for First-In-First-Out (FIFO) Method of Inventory.
- g) Issuances of Withdrawal Certificates. All Withdrawal Certificates issued covering removals of finished goods subject to the old excise tax rates shall bear the inscription "STOCKS ON HAND PRIOR TO RA 8184" and the same information shall be prominently stamped on the face of all the copies of issued Withdrawal Certificates. Removals of finished goods supported by Withdrawal Certificates which do not bear such information shall be subjected to the excise tax rates imposed under these Regulations even if the same were taken from old stocks.

Illustration:

On midnight of August 16, 1996, the BIR has conducted a stocktaking on the oil refinery of ABC Company. Results of the said physical inventory are as follows:

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Raw Materials

Crude Oil	Volume	Unit of Measure
Iranian Medium	1,589,830	liters
Arabian Light	3,179,660	-do-
Miri Crude	1,589,830	-do-
Additives	500,000	-do-
Total	6,859,320	-do-

In-Process

Unleaded Premium Gasoline	150,000	-do-
Regular Gasoline	100,000	-do-
Kerosene	150,000	-do-
Raw Materials still under distillation	300,000	-do-
Total	700,000	-do-
Finished Goods:		
Unleaded Premium Gasoline	150,000	-do-
Regular Gasoline	100,000	-do-
Kerosene	100,000	-do-
Total	350,000	-do-

In compliance with the BIR requirement, ABC Co. submitted the following Production Schedule:

Products	Raw Materials (mixture of 3 crude oils and additives)	In-Process
Unleaded Premium Gasoline	3,500,000 liters	250,000 liters
Regular Gasoline	1,589,640 liters	200,000 liters
Kerosene	1,769,680 liters	250,000 liters
Total	6,859,320 liters	700,000 liters

Using the "First-In, First-Out Method", accounting of removals of finished goods should be as follows:

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Date of Removal	Unleaded Premium Gasoline	Regular Gasoline	Kerosene	Remarks
Aug. 17	130,000	100,000	90,000	Removals subject to old rates taken from finished goods inventories
Aug. 18	150,000	85,000	150,000	Removals subject to old rates, inventories taken partly from finished goods and partly from in-process
Aug. 19	400,000	350,000	500,000	Removals subject to old rates, inventories taken partly from in-process and partly from raw materials
Aug. 20	750,000	400,000	450,000	Removals subject to old rates, inventories taken from raw materials
Aug. 21	1,300,000	700,000	550,000	Removals subject to old rates, inventories taken from raw materials
Aug. 22	850,000	300,000	400,000	Removals of 850,000 liters of Unleaded Premium Gasoline, 254,640 liters of Regular Gasoline and 379,680 liters of Kerosene are subject to old rates and the rest are subject to new tax rates
Aug. 23	650,000	450,000	500,000	Removals of 320,000 liters of Unleaded Premium Gasoline are subject to old tax rates and all the rest are subject to new tax rates
Aug. 24	500,000	300,000	200,000	Removals are all subject to new tax rates

SEC. 11. Applicability of Regulations on Petroleum Products and Minerals and Mineral Products. The provisions of Revenue Regulations Nos. 13-77, 7-90 and 13-94, particularly on the manner of payment of excise tax, verification, recording and monitoring of production and removals, and such other administrative provisions in so far as applicable are hereby adopted to form part of these Regulations.